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SUBJECT: MOROCCAN BANKS ON REGIONAL GROWTH, REFORM

REF: A) CASABLANCA 523; B) 05 CASABLANCA 1220; C) TUNIS 2899

¶1. (SBU) SUMMARY: A recent series of meetings with Morocco's three national banks showed that while they have distinct personalities, they share a strong interest in expanding to francophone Africa and other countries in the Maghreb. They also agree that the economic climate in Morocco has improved significantly since King Mohamed VI came to power, but acknowledge the need for further reform to create a transparent environment that fosters business and job creation.  
END SUMMARY.

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DIFFERENT PERSONALITIES, APPROACHES  
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¶2. (U) Each of Morocco's three national banks has a distinct personality. Attijariwafa was created by the merger of Wafa Bank and Banque Commerciale du Maroc in 2003. It is held in part by North African Omnium Group (ONA), the King's investment vehicle, and is therefore known as "the King's bank." It has about 25% of the market share, as does its prime competitor, BCP. BCP, however, has a very different history and persona. Founded after Moroccan independence, BCP has been the State's bank since its inception and continues to be partially state-owned. Its original mandate included providing financing for artisans and small and medium-sized enterprises (SMEs), and it retains this focus. For its part, BMCE has only 10-15% of the market share and considers itself an internationally-oriented corporate bank. Privatized in 1995, it prides itself on the freedom that comes with being private.

¶3. (SBU) Along with different personalities come different approaches. Attijariwafa considers its strength to be the Moroccan market and has plans to expand nationally, though it is also pursuing a strategy of regional development. According to its General Manager, Mohammed El Kettani, the integration of the Maghreb is crucial for middle term growth. He believes that economics should come before politics, and expressed regret that the bank had to put aside efforts to open in Algeria.

¶4. (U) Like Attijariwafa, BCP has a strong presence in Morocco with 600 branches throughout the country. In keeping with its commitment to local clients, it is the only bank to operate in certain rural areas, and was until recently the only one with no minimum for deposit. It also distinguishes itself for its decentralized

approach. Each of its eleven regional banks in Morocco operates independently and has its own president, making the process of evaluating loan applications more efficient.

15. (SBU) BMCE is less focused on the domestic market, and more interested in expanding internationally. It is the only Moroccan bank with a branch in China (Beijing), and is ready to start operations in London, where it plans to position itself as an international player in corporate and investment banking. According to the bank's Administrative Director General, Jaloul Ayed, BMCE strives to create a strong common identity among the bank's various interests, including banking, insurance, media, industry, transportation, and telecommunications.

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SHARED VIEWS ON REGIONAL EXPANSION, ECONOMIC CLIMATE  
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16. (SBU) While the three banks take different approaches, they all express strong interest in establishing a presence in the Maghreb and sub-Saharan Africa. Attijariwafa opened four branches in Dakar, Senegal in July 2006 and recently purchased a majority stake in Tunisia's Banque du Sud (REF C). It also has a majority share in Senegal's fifth largest bank, and is considering other purchases. BCP has subsidiaries in Guinea and the Central African Republic, and is looking at opportunities in Mauritania, Gabon, the Democratic Republic of Congo, and possibly Libya. True to its international focus, BMCE also has numerous interests in the Maghreb and Africa, including Tunisia, Mali, Congo Brazzaville, and Senegal, where it created a regional investment bank. BMCE plans to open offices in Cameroon, Gabon, Mauritania, and perhaps Algeria, Ivory Coast and Angola, as it believes francophone Africa is highly receptive to Moroccan interests due to a history of trade, common religion, and cultural affinity.

17. (SBU) Morocco's national banks also share the view that the country's economic situation is strong. Ayed of BMCE went so far as to say that conditions are the best in a generation, allowing the bank group to promote synergies between diverse interests in a way that would not have been possible a few years ago. Attijariwafa's El Kettani echoed this point, saying that the dynamic and reform-minded Mohamed VI has alleviated the concerns of five years ago by fostering an open environment. He cited as examples the fact that a private company, Jorf Lasfar, now provides over 60% of Morocco's energy, while the French company Lydec supplies water and electricity to Casablanca.

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SHARED CHALLENGES - BANKING, SMEs, TRANSPARENCY  
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18. (U) Attijariwafa, BCP and BMCE face several of the same problems as well. Since only ten to twenty percent of the Moroccan population banks, large sums of money bypass the banking system entirely. Both Attijariwafa and BCP agree on the need to develop initiatives that encourage people to bank, and that bring individuals from the informal to the formal sector.

19. (SBU) The banks also agree that they must find ways to develop SMEs. El Kettani argued that the state's investment in large projects such as Tanger Med is key to developing infrastructure and creating diverse opportunities for SMEs in the future. He admitted that it is difficult for entrepreneurs to get funds, and that Morocco needs to create a structure for capital risk. As Mr. El Morjani of BCP pointed out, Moroccan banks do not currently have an adequate mechanism for recouping credit, making lending risky.

110. (SBU) Bank representatives from loan officers to CEO's cited transparency as a vital issue that needs to be addressed, though they conceded that at root it is Moroccan tax policy that encourages non-transparency. They agreed that the government would be better served by significantly lowering taxes and having a higher percentage of people pay. Rates surpassing 40 percent induce people not to declare their true earnings, and not to keep accurate accounts. This, in turn, forces banks to require personal guarantees on loans, since they cannot rely on a company's books as an accurate indication of risk.

¶11. (SBU) Not only is tax reform deemed necessary, but judicial reform as well. One senior executive noted that while the judiciary tribunals have improved, young judges earning eight or nine hundred USD per month are all too willing to take bribes. He emphasized the need to punish corruption, accelerate reform and institute a system of arbitrage so that disputes can be resolved more fairly and efficiently. According to Mr. Tadili of BCP, disputes currently take anywhere from four to twenty years to resolve. Bank representatives agreed that tax and judiciary reform, as well as increased transparency in general, are key to improving the lending environment for SMEs.

¶13. (U) COMMENT: Banking professionals are reacting with relish to the new opportunities Morocco's recent economic boom has offered them, even moving to address such tough issues as finance for small enterprises. That said, they acknowledge that further reform is needed to foster a more transparent environment which, in turn, will promote opportunities for business creation and employment. END COMMENT.

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